

## Message Text

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SUBJECT: GOG CREDIT POLICY

1. ON MARCH 22 MINISTER OF COORDINATION PAPALIGOURAS ANNOUNCED THAT CURRENCY COMMITTEE HAD APPROVED LIBERALIZED CREDIT POLICY FOR 1975. HE STATED THAT BASIC GOAL OF GOG CREDIT, AND GENERAL ECONOMIC, POLICY IS TO END STAGNATION WITHOUT JEOPARDIZING RELATIVE MONETARY STABILITY OR EXACERBATING BALANCE OF PAYMENTS SITUATION. SUMMARY OF HIGHLIGHTS OF NEW CREDIT POLICY FOLLOWS.

2. GENERAL MEASURES.

(A) CONTINUING POLICY ADOPTED LAST FALL, THERE WILL BE NO CEILING PLACED ON LONG-AND MEDIUM-TERM PRODUCTIVE AGRICULTURAL, INDUSTRIAL AND HANDICRAFT INVESTMENTS, OR ON SHORT-TERM FINANCING FOR EXPORTS.

(B) FOR FIRST TIME PRE-FINANCING OF INDUSTRIAL AND HANDICRAFT EXPORTS IS TO BE PERMITTED, PROVIDED ORDERS FROM ABROAD FOR FUTURE EXPORTS CAN BE CERTIFIED.

(C) CREDIT FINANCING FOR WORKING CAPITAL OF HANDICRAFT ENTERPRISES IS NOW TO BE PERMITTED.

(D) FOR OTHER CATEGORIES IN PRIVATE SECTOR, OVERALL CEILING FOR BANK CREDITS UP TO JUNE 30, 1975, SET AT 17 PERCENT OVER LEVEL OF JUNE 30, 1974. GOG ESTIMATES THAT DURING TWELVE-MONTH

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PERIOD JULY 1974 - JUNE 1975 TOTAL OUTSTANDING CREDIT FINANCING,

INCLUDING UNLIMITED CREDITS TO INDUSTRY, HANDICRAFT AND EXPORT TRADE, WILL INCREASE 25 PERCENT.

3. AGRICULTURAL BANK. NEW CREDITS TO AGRICULTURAL SECTOR THROUGH AGRICULTURAL BANK, INCLUDING HOUSING LOANS, PROGRAMMED FOR 1975 AT 44 BILLION DRACHMAS, 23 PERCENT HIGHER THAN IN PREVIOUS YEAR.

4. INVESTMENT BANKS. GOG ESTIMATES 4.3 BILLION DRACHMAS IN NEW LONG-TERM CREDITS FOR FIXED ASSETS IN INDUSTRIAL SECTOR AVAILABLE IN 1975 THROUGH INVESTMENT BANKS, ADDING CREDITS FROM COMMERCIAL BANKS, LEVEL MAY REACH 9 BILLION DRACHMAS DURING 1975. GOG PREPARED TO SEE PROGRAM ENLARGED IF ABSORPTIVE CAPACITY OF ECONOMY MERITS IT.

5. HOUSING LOANS. TOTAL LEVEL OF NEW HOUSING LOANS TO BE ABOUT 6 BILLION DRACHMAS. GRANTING OF SUCH LOANS HAD BEEN SUSPENDED AT END 1972. NEW PROGRAM IS AIMED AT LOWER INCOME GROUPS. INDIVIDUAL AGRITULTURAL BANK HOUSING LOANS RAISED FROM 100,000 DRACHMAS TO 200,000 DRACHMAS WITH PARTICULARLY BENEFICIAL TERMS FOR FARMERS RESIDING IN THRACE, THE DODECANESE, SAMOS, CHIOS, AND MYTILINI. HOUSING LOANS TO CIVIL SERVANTS AND EMPLOYEES OF PUBLIC LEGAL ENTITIES TO BE RESUMED. MAXIMUM LEVEL OF INDIVIDUAL HOUSING LOANS THROUGH MORTGAGE BANK AND CONSIGNMENT AND LOAN FUND BEING INCREASED FROM 200,000 DRACHMAS TO 350,000 DRACHMAS. ALSO MAXIMUM LEVEL OF HOUSING LOANS TO DEPOSITORS IN FOREIGN EXCHANGE INCREASED FROM 750,000 DRACHMAS TO 1 MILLION DRACHMAS.

6. SPECIAL CATEGORIES. COMMERCIAL BANKS ARE ALLOWED TO GRANT LOANS FOR FIXED ASSETS OF COMMERCIAL ENTERPRISES DURING 1975 UP TO LEVEL OF 500 MILLION DRACHMAS. LIMITS ON PERSONAL LOANS THROUGH COMMERCIAL BANKS ARE INCREASED FROM 40,000 DRACHMAS TO 100,000 DRACHMAS. INTEREST ON LOANS GRANTED BY COMMERCIAL BANKS AGAINST OWN CAPITAL FOR FIXED ASSETS TO HOTEL ENTERPRISES IS REDUCED FROM 15 PERCENT TO 11.5 PERCENT.

7. COMMENT: LONG-AWAITED CREDIT POLICY STATEMENT, COMING ON HEELS OF NEW BUDGET, SEEMS TO BE ANOTHER SIGN THAT GOG BEGINNING TO GIVE HIGHER PRIORITY TO STAGNATION PROBLEM. MILDLY REFLATIONARY THRUST OF CREDIT POLICY CENTERS ON STIMULATING

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PRODUCTIVE EXPENDITURES IN INDUSTRIAL, HANDICRAFT, AGRICULTURAL, AND EXPORT SECTORS. RELAXATION OF LONG-STANDING RESTRICTIONS ON HOUSING LOANS AIMS AT RESTORING SOME LIFE TO CONSTRUCTION INDUSTRY, WHICH AMONG HARDEST HIT BY 1974'S GENERAL ECONOMIC DOWNTURN. AT THIS POINT, HOWEVER, LACK OF DEMAND FOR, RATHER THAN SUPPLY OF, FUNDS FOR PRODUCTIVE INVESTMENT CONSTITUTES MORE SERIOUS PROBLEM.

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